



September 6, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
United States Department of the Treasury
Office of the Treasurer
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: National Bankers Association – Comments Regarding Impact on Minority Banks in Connection with Conservatorship of Fannie Mae and Freddie Mac

Dear Mr. Secretary:

I am writing this letter on behalf of the National Bankers Association ("NBA"), the largest and oldest trade organization in the United States representing minority and women-owned banks and thrifts, founded in 1927, to among other roles, serve as an advocate on legislative and regulatory matters.

We are writing this letter urgently regarding your pending resolution of the situation regarding Fannie Mae and Freddie Mac (collectively, the "GSEs"). We want to ensure that the interests of minority banks are properly protected in any such resolution. To be clear, we are not asking for minority banks to receive any windfall from this resolution. Rather, we simply are seeking a return of the money we invested in the GSEs. In other words, each minority bank would demonstrate the amount of funds it invested into the preferred stock of the GSEs, and be assured of receiving that amount in return as part of any resolution you develop. At a bare minimum, we urge the GSE resolution to include a provision that any minority bank that will fail due to its investment in GSE preferred stock would simply have its investment returned.

We understand why you are acting to preserve the GSEs. The GSEs serve an important role in the fabric of US home ownership, making home ownership more available to the citizenry of the United States. These social benefits, as well as the economic calamity that would follow were the GSEs to collapse, more than warrant government action on their behalf.

We are writing this letter to re-emphasize, as FIRREA has made clear statutorily since 1989, the important role of minority banks in the urban inner city communities of America. Unlike majority banks, which principally focus on profit, the express mission of minority banks is to promote these underbanked, underprivileged communities, and serve as a rare beacon of hope to their residents. Accordingly, just as the GSEs serve

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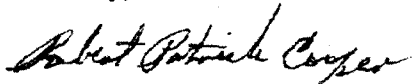
critical economic and social roles in America, minority banks have no less importance to the communities they serve – communities that are wholly neglected by the vast majority of financial institutions. Indeed, in part due to the consistency of their missions, minority banks have acquired substantial interests in the preferred stock of the GSEs.

Accordingly, we submit that there is no less reason to protect minority banks that invest in GSEs than the reasons for the resolution you are developing for the GSEs themselves. Both serve critical social and economic roles in their communities. We would therefore strongly urge that any resolution, in addition to providing needed capital to the GSEs, also provide for minority banks to be protected with respect to those preferred stock interests. As stated above, each minority bank would demonstrate the amount of funds it invested into the preferred stock of the GSEs, and be assured of receiving that amount in return as part of any resolution you develop. To ensure that no inappropriate consequences result with the bank regulatory agencies in the interim, we also would ask that the resolution make clear that the regulators treat this right of repayment as equivalent to tier one capital during any interim period prior to the receipt of funds by the minority banks.

We appreciate this action on our behalf. If you do not adopt this request, many minority banks will fail along with the GSEs. In such a circumstance, we submit that your resolution would not have fulfilled its purpose. As while it will have protected the housing and social environment of the United States at a macro level, it will not have protected the urban inner city communities uniquely served by minority banks. Then, once again, the urban poor and underbanked would have received a lesser benefit than other constituents that rely on the GSEs. Such a result would be wholly contrary to the purposes set forth in FIRREA in 1989, and innumerable bank regulatory and government pronouncements since then. More fundamentally, such a result would be contrary to any declared efforts of this country to recognize and improve the lives of urban inner city residents.

Thank you again. Obviously this is critically important to us. If you have any questions whatsoever, or any doubts whatsoever about following this recommendation, please call the undersigned immediately at (617) 283-2822.

Sincerely,



Robert Patrick Cooper
Chairman-Elect

cc: The Honorable Barney Frank
The Honorable Maxine Waters